

**NATIONAL SERVICE DOG TRAINING
CENTRE INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

	Page
Independent Auditors' report	1 - 2
Statement of financial position	3
Statement of operations and net assets	4
Statement of cash flows	5
Notes to financial statements	6 - 10

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

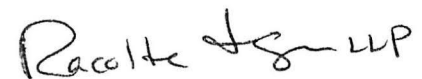
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cambridge, Ontario
May 19, 2021



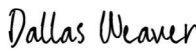
Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants


NATIONAL SERVICE DOG TRAINING CENTRE INC.
(Incorporated under the laws of Canada)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020
(With comparative figures as at 2019)

	2020	2019
ASSETS		
CURRENT		
Bank	\$ 411,897	\$ 257,220
Subsidy receivable	11,237	-
Temporary investments	62	91
Government remittances recoverable	<u>10,928</u>	<u>9,090</u>
	434,124	266,401
PROPERTY AND EQUIPMENT (note 3)	<u>461,740</u>	<u>444,044</u>
	<u>\$ 895,864</u>	<u>\$ 710,445</u>
LIABILITIES		
CURRENT		
Accounts, payable and accrued	\$ 32,454	\$ 37,752
Deferred revenue (note 4)	120,000	77,000
Scheduled repayments of long-term debt due within one year (note 5)	<u>10,204</u>	<u>9,757</u>
	162,658	124,509
DEFERRED REVENUE (note 4)	192,500	132,500
LONG-TERM DEBT (note 5)	<u>121,962</u>	<u>92,206</u>
	<u>477,120</u>	<u>349,215</u>
CONTINGENT LIABILITIES (note 6)		
ORGANIZATION'S NET ASSETS		
NET ASSETS	<u>418,744</u>	<u>361,230</u>
	<u>\$ 895,864</u>	<u>\$ 710,445</u>

APPROVED ON BEHALF OF THE BOARD:

DocuSigned by:

 _____ Director
65ABC4B6441A4BB...

DocuSigned by:

 _____ Director
E9DABBCDEA754AD...

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

(With comparative figures for 2019)

	2020	%	2019	%
REVENUE				
General donations (note 4)	\$ 293,367	34.6	\$ 320,370	35.7
Contributions from other registered charities	414,401	48.9	416,069	46.4
Events	31,305	3.7	110,117	12.3
Gifts-in-kind	92,998	11.0	35,334	3.9
Fees	<u>15,523</u>	<u>1.8</u>	<u>14,863</u>	<u>1.7</u>
	<u>847,594</u>	<u>100.0</u>	<u>896,753</u>	<u>100.0</u>
EXPENDITURE				
Wages and benefits	506,022	59.7	497,462	55.5
Animal care	114,879	13.6	125,450	14.0
General	47,851	5.6	52,137	5.8
Occupancy costs	46,707	5.5	52,463	5.9
Client services	22,703	2.7	47,415	5.3
Supplies, gifts-in-kind	92,998	11.0	35,334	3.9
Consulting	24,894	2.9	23,112	2.6
Amortization	15,052	1.8	13,258	1.5
Marketing and fundraising material	14,297	1.7	21,179	2.4
Interest on long-term debt (note 5)	<u>4,313</u>	<u>0.5</u>	<u>4,749</u>	<u>0.5</u>
	<u>889,716</u>	<u>105.0</u>	<u>872,559</u>	<u>97.3</u>
EARNINGS (LOSS) BEFORE THE FOLLOWING	(42,122)	(5.0)	24,194	2.7
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	1,259	0.1	1,446	0.2
CANADA EMERGENCY WAGE SUBSIDY	<u>98,377</u>	<u>11.6</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>57,514</u>	<u>6.8</u>	<u>25,640</u>	<u>2.9</u>
NET ASSETS, beginning	<u>361,230</u>		<u>335,590</u>	
NET ASSETS, ending	<u>\$ 418,744</u>		<u>\$ 361,230</u>	

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020
(With comparative figures for 2019)

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenditure for the year	\$ 57,514	\$ 25,640
Charges not requiring cash:		
Amortization	15,052	13,258
Gain on disposal of property and equipment	<u>(1,259)</u>	<u>(1,446)</u>
	71,307	37,452
CHANGES IN NON-CASH WORKING CAPITAL		
Increase in subsidy receivable	(11,237)	-
Decrease in temporary investments	29	39
Decrease (increase) in government remittances recoverable	(1,838)	7,352
Decrease in accounts, payable and accrued	(5,297)	(7,725)
Increase (decrease) in deferred revenue	<u>103,000</u>	<u>(82,000)</u>
Cash from (used in) operating activities	<u>155,964</u>	<u>(44,882)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	40,000	-
Repayments of long-term debt	<u>(9,798)</u>	<u>(9,387)</u>
Cash from (used in) financing activities	<u>30,202</u>	<u>(9,387)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(32,989)	(3,040)
Proceeds on disposal of property and equipment	<u>1,500</u>	<u>1,800</u>
Cash used in investing activities	<u>(31,489)</u>	<u>(1,240)</u>
INCREASE (DECREASE) IN CASH	154,677	(55,509)
BANK, beginning	<u>257,220</u>	<u>312,729</u>
BANK, ending	<u>\$ 411,897</u>	<u>\$ 257,220</u>

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

PURPOSE OF THE ORGANIZATION

The organization is incorporated without share capital under the laws of Canada as a not-for-profit organization to operate a facility providing training of service dogs for individuals with disabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and reflect the following policies:

(a) Temporary investments

Temporary investments consist of gifts-in-kind of financial securities. The securities are recognized initially at fair value on the date they are received. They are subsequently measured at fair value.

(b) Property and equipment

Property and equipment are recorded at cost. Amortization is provided at the following annual rates:

Building, 1286 Cedar Creek Road	- 4% declining balance basis
Computer equipment	- 30% declining balance basis
Computer software	- 3 years on a straight line basis
Fencing	- 20% declining balance basis
Kennel equipment	- 20% declining balance basis
Maintenance equipment	- 20% declining balance basis
Office equipment	- 20% declining balance basis
Vehicle	- 30% declining balance basis
	- 20% declining balance basis

Amortization is calculated at one-half of the normal rate in the year of acquisition.

(c) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential to the organization. No impairment has been recognized on long-lived assets.

(d) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. Financial assets measured at amortized cost include bank and temporary investments. Financial liabilities measured at amortized cost include accounts payable and long-term debt.

continued....

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Revenue recognition

The organization's activities are supported through donations, grants and fundraising activities.

The organization follows the deferral method of accounting for contributions.

The organization recognizes revenue when the amount of revenue can be measured reliably and collection is reasonably assured. Revenue is measured at the fair value of consideration received or receivable.

General donations are recognized in the period in which they are received. Restricted donations are recognized as deferred revenue in the period in which the donation is received and then are recognized as revenue as the expenses are incurred.

Gifts-in-kind are recognized at their estimated fair value when the goods are received. As there is often no readily available fair market for these goods, management uses its expertise and knowledge to estimate the fair value. The offsetting expense is always equal to the fair value. Gifts-in-kind received as donations in the form of temporary investments are presented with general donations. Gifts-in-kind used in the course of programming are presented as Gifts-in-Kind.

Event revenue is recognized when the event revenue is earned, the amount collectible is known, and any performance of services have been completed.

(f) Income taxes

The organization is a registered charity under the Income Tax Act and is exempt from income tax.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates. Items material to the financial statements that require the use of estimates include the useful lives of property and equipment and the fair value of revenues and expenses recognized as gifts-in-kind.

2. BANK INDEBTEDNESS

The organization has an available operating loan facility from the TD Commercial Banking in the amount of \$140,000. Interest is charged on outstanding balances at TD Bank prime plus 3%. The balance is due on demand and is secured by a general security agreement, limited first charge on 1286 Cedar Creek Road, Cambridge, Ontario in the amount of \$390,000 and assignment of fire insurance in the amount of \$390,000. As at December 31, 2020, there was no balance outstanding. The carrying value of security is \$435,733.

The operating loan facility requires that a covenant be maintained. As at December 31, 2020 the organization was in compliance with the lending covenants.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Building, 1286 Cedar Creek Road	\$ 420,935	\$ 185,202	\$ 235,733	\$ 233,061
Computer equipment	12,387	10,176	2,211	1,420
Computer software	7,450	7,450	-	-
Fencing	12,028	1,838	10,190	6
Kennel equipment	4,824	3,601	1,223	1,528
Land, 1286 Cedar Creek Road	200,000	-	200,000	200,000
Maintenance equipment	3,090	1,985	1,105	1,578
Office equipment	12,753	11,703	1,050	1,313
Vehicle	<u>33,211</u>	<u>22,983</u>	<u>10,228</u>	<u>5,138</u>
	<u>\$ 706,678</u>	<u>\$ 244,938</u>	<u>\$ 461,740</u>	<u>\$ 444,044</u>

4. DEFERRED REVENUE

Deferred revenue represents designated contributions for which the organization has not yet spent the money on the specific expenditure. This revenue is deferred and recognized as revenue in the year in which related expenses are incurred. Examples include funds for service dogs trained but not placed throughout the year, with \$170,000 restricted to specific programs.

	2020	2019
Deferred revenue, beginning	\$ 209,500	\$ 291,500
Add: funds received in advance	180,000	35,000
Less: funds recognized in revenue during the year	<u>77,000</u>	<u>117,000</u>
Deferred revenue, ending	<u>\$ 312,500</u>	<u>\$ 209,500</u>

Contributions in the amount of \$192,500 are not expected to be spent until beyond January 1, 2021 and are therefore presented as long-term.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

5. LONG-TERM DEBT

	2020	2019
TD Commercial loan - repayable in monthly blended payments of \$1,178, bearing interest at 4.49%, due for renewal August 2022. Secured by land and building at 1286 Cedar Creek Road, Cambridge, Ontario. The carrying value of the security is \$385,202.	\$ 92,166	\$ 101,963
Canada Emergency Business Account loan payable, no interest until January 1, 2023, repayable by December 31, 2022 to obtain \$10,000 in loan forgiveness. Otherwise repayable by December 31, 2025 with interest at 5%. Unsecured.	<u>40,000</u>	<u>-</u>
	132,166	101,963
Less scheduled repayments due within one year	<u>10,204</u>	<u>9,757</u>
	<u>\$ 121,962</u>	<u>\$ 92,206</u>

Principal payments are as follows:

2021	\$ 10,204
2022	<u>81,962</u>
	<u>\$ 92,166</u>

6. CONTINGENT LIABILITIES

The organization has a claim against it for an employment matter. The matter will be settled after year-end for an unknown cost.

7. DONATED GOODS AND SERVICES

The work of the organization is dependent on volunteer services of the Board of Directors, various committees and other volunteers. The nature of other volunteer services provided is not verifiable and therefore is not recognized in these financial statements.

8. FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk refers to the risk that other parties may default on their financial obligations.

The organization is exposed to credit risk on its bank balance.

Credit risk associated with bank is minimized substantially by ensuring that these assets are invested in a major financial institution.

The extent of the organization's exposure to credit risk decreased in 2020.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

8. FINANCIAL INSTRUMENT RISKS - continued

(b) Liquidity risk

Liquidity risk refers to the risk that the company will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the company not being able to liquidate assets in a timely manner at a reasonable price.

The company meets its liquidity requirements by monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. The company has a credit facility in place should it be required to meet temporary fluctuations in cash requirements (see Note 2).

The extent of the company's exposure to liquidity risk did not change in 2020.

9. OTHER MATTER

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. Management is closely monitoring the situation and has, in light of social distancing and travel restrictions, postponed, modified, or cancelled spring fundraising events and has put virtual alternatives in place for the foreseeable future. In person client training activities have been reduced and online coaching and learning opportunities have been developed to ensure ongoing training and support services are effective for clients and volunteers.

The organization is positioned to adjust to the changing dynamic of the COVID-19 situation and provide a combination of virtual and in person training that ensures the continuation of its mission. The overall effect of these postponed events on the organization is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed. Should there be a material decline in revenue, management and those charged with governance will adjust the expenditure budget accordingly to preserve the organization's liquidity. Management does not believe this will impact the organization's ability to continue as a going concern.